



# Texas Agricultural Extension Service

## Texas Citrus Grower Market Outlets

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The Texas citrus industry aims to produce premium quality fresh fruit. The bulk of the fresh crop is marketed through commercial channels, but small proportions go into the gift fruit market and local sales. The remaining production is diverted to processing, which mainly consists of packinghouse eliminations. The distribution of Texas citrus by use for the 5 years prior to the 1983 freeze is shown in Table 1.

The majority of Texas fresh citrus is moved from independent and cooperative shippers through commercial channels to wholesale buyers (both domestic and export), to fund-raising organizations and so-called back-door sales. Excluding export and back-door sales, it is this fruit that must be graded, inspected, packed and shipped under regulations established in the Federal Marketing Order. Also, it is this fruit that is taxed to the shipper for the operations of the Texas Valley Citrus Committee and TexaSweat Citrus Advertising, Inc. There are about 12 independent and two cooperative shippers operating in the Valley.

The gift fruit market is a low-volume but premium quality component of the fresh market. Gift fruit is a fancy pack representing only the best in terms of external quality. This specialized pack and market command a high markup. Essentially, clientele purchase the select packs for presentation as gifts. Gift fruit may be shipped directly to the recipient or to the purchaser for subsequent presentation. Major gift fruit sales occur just prior to the Thanksgiving and Christmas holidays, but other holidays can be important to gift fruit

shippers. Gift fruit packs may be offered by some commercial shippers who pack gift fruit under a separate company name.

Local use includes fruit stands, flea markets and roadside sales as well as direct orchard sales. Many fruit stands have common ownership with producers, i.e., the fruit stand owner is also a citrus grower, but most fruit stands also will purchase fruit from packinghouses or other growers. Flea market and roadside vendors are usually independent of any production operation, except for a few small orchards. Generally, these vendors purchase small amounts of fruit directly from growers and/or from the eliminations (processing) line of packinghouses.

Most packinghouse eliminations and some direct deliveries from orchards are processed into frozen concentrate. Texas concentrate is commonly sold in bulk to Florida packers to be blended with Florida concentrate and some is sold to out-of-state distributors for repacking under private labels. However, a large proportion of Texas concentrate is repacked as frozen concentrate and single strength and blended juices marketed under the private labels of the respective processors.

### Grower Outlets

The varied distribution of Texas citrus in the market provides the citrus grower with a number of marketing outlets. Each option, however, requires a different degree of actual grower involvement.

### Marketing Cooperatives

There are presently two marketing cooperatives that are owned by grower members. A grower whose orchard is entered into a cooperative is not

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involved in citrus marketing, inasmuch as the cooperative makes all market decisions on behalf of its members. Operations are conducted by managers selected by a board of directors, which is elected by grower members.

Each cooperative harvests, packs and sells its members' fruit. Sales, however, are coordinated through a central sales office known as the Texas Citrus Exchange (TCX), which also owns and operates processing facilities for its members.

The grower is paid an average or pooled price for his fruit. All production is entered into one or more pools, depending upon variety, size, grade and season, as established by the board of directors. Basically, the total returns for all markets of any one pool, less the costs of harvesting, packing, selling and necessary retains, are prorated to the grower based upon the distribution of his fruit within the total fruit in that pool.

The timing of payments to growers varies, but partial payments are usually made as the fruit is sold. However, final payment does not occur until the pool closes, i.e., all fruit or processed product in the pool has been sold and all monies received. Thus, fresh fruit pools may not close until several weeks after the season ends, while processed fruit pools may remain open for a year or more because of product storage.

### **Open Market**

The open market is comprised of independent shippers, both commercial and gift fruit, who purchase citrus on-tree under a variety of contract arrangements. The buyer harvests, packs and sells the fruit, with payment to the grower soon after harvest. The open market is essentially a forward contract in that the grower sells his fruit before harvest, but is not paid until harvest. There are several approaches to these contracts that both buyer and seller must consider.

A clean-tree contract sets a firm price for the entire crop, but the buyer may harvest throughout the season, at his discretion. Such contracts may specify target dates by which ring picks and/or final cleanup will be performed.

A ring-pick contract sets a firm price for the harvest of a specific minimum fruit size, usually by a specified date. There is no agreement about the remaining fruit.

Another alternative is a clean-tree contract that

specifies a price and date for a specific ring pick, with a different price agreed for the later clean-tree harvest.

A variation of that clean-tree contract specifies a price for the ring-pick, but the clean-tree price is at the then current price of fruit.

There are lump-sum contracts in which the buyer offers a firm price for the entire crop, to be harvested at his discretion. This is simply a lump sum dollar amount, regardless of tonnage.

In recent years, a number of consignment agreements or participation contracts have been used. Basically, the buyer harvests and markets fruit for the grower for specified handling charges. Commonly, the charge includes a fixed packing-house cost and a percentage commission on sales. The net sale price above handling charge is returned to the grower.

Usually, a shipper who has purchased a grower's fruit for several years will contact the grower with a bid, but the grower may have to solicit buyers. In making a bid, the buyer inspects the orchard to estimate the total volume of fruit and the proportion of various sizes and grades. These estimates are then factored with anticipated market prices for the respective fruit sizes and quality, as well as costs to pick, pack and sell, to arrive at a bid price. Thus, an orchard that will produce a high pack-out and a significant proportion of large-sized fruit will command a higher price than an orchard with lower fruit quality and/or mostly medium to small fruit.

The grower should make the same determinations about the crop and the market in order to establish an on-tree value so he can intelligently negotiate with fruit buyers. Consequently, growers who sell in the open market must become actively involved in the citrus marketing process. Presently, there are 12 independent shippers and 30 to 35 gift fruit shippers in the Valley.

### **Direct Market**

Direct marketing involves the highest degree of grower involvement, as he must personally oversee the harvest and sale of his fruit directly to consumers, whether he uses a roadside stand or a pick-your-own operation or both. Many winter visitors believe the best citrus fruit is purchased directly from the orchard and many want the experience of picking their own citrus fruit.



Direct marketing can be highly profitable for the grower. The success of a direct marketing operation depends upon many different factors. The most critical is that the grower must offer good fruit at a fair price under pleasant circumstances, as satisfied customers will personally advertise the operation.

### Processor

Fruit for processing is normally obtained as packinghouse eliminations, but processors also purchase fruit directly from growers, particularly during years of moderate production. There are presently two processors operating in the Valley, one cooperative and one independent. In seasons of normal fruit supply, the cooperative mainly is restricted to members only.

Fruit for processing may be purchased by any of several methods. A forward contract with a grower or shipper specifies a price per ton prior to delivery. Normally, a processor uses forward contracts to assure a minimum supply of fruit. Processed fruit also may be bought on the open market, which is essentially the current market price at the time of delivery.

Participation contracts between growers or shippers and processors allow both seller and processor to participate in the market, as returns to the grower or shipper are determined following sale of the processed stock. Some contracts restrict the tonnage that will be accepted into participation.

**Table 1. Market utilization of Texas citrus for the 5-year period preceding the 1983 freeze.**

Season	Commercial supply		Gift fruit	Local use	Processed	Total
	Domestic	Export				
Grapefruit (tons)						
1978-79	109,820	14,080	13,640	24,200	198,260	360,000
1979-80	124,240	20,380	11,560	11,780	148,040	316,000
1980-81	136,560	22,800	14,200	12,800	81,640	268,000
1981-82	222,760	39,420	14,560	14,000	265,260	556,000
1982-83	230,220	46,280	22,200	13,660	135,640	448,000
Average	164,720	28,592	15,232	15,288	165,768	389,600
Percent of total	42.28	7.34	3.91	3.92	42.55	100.00
Early and midseason oranges (tons)						
1978-79	55,165.00	255.00	3,145.00	15,406.25	108,778.25	182,750
1979-80	46,091.25	85.00	3,910.00	6,523.75	41,140.00	97,750
1980-81	64,621.25	21.25	4,250.00	9,052.50	32,555.00	110,500
1981-82	75,883.75	42.50	4,250.00	7,798.75	65,450.00	153,425
1982-83	77,052.50	85.00	4,292.50	8,075.00	63,070.00	152,575
Average	63,762.75	97.75	3,969.50	9,371.25	62,198.75	139,400
Percent of total	45.74	0.07	2.85	6.72	44.62	100.00
Valencia oranges (tons)						
1978-79	6,545.00	—	2,082.50	11,071.25	69,551.25	89,250
1979-80	25,160.00	255.00	2,210.00	4,420.00	41,480.00	73,525
1980-81	35,466.25	212.50	2,316.25	5,482.50	30,047.50	73,525
1981-82	45,602.50	—	2,507.50	5,312.50	45,602.50	99,025
1982-83	44,603.75	—	2,783.75	5,631.25	35,806.25	88,825
Average	31,475.50	93.50	2,380.00	6,383.50	44,497.50	84,830
Percent of total	37.10	0.11	2.81	7.53	52.45	100.00

Source: *Citrus Fruits Production, Use and Value*, Crop Reporting Board, SRS, USDA.



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